

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 96-25, MASSACHUSETTS ELECTRIC COMPANY
ELECTRIC RESTRUCTURING SETTLEMENT PROPOSAL

TESTIMONY OF SUSAN F. COAKLEY

Q. Please state your name, business address and employment positions.

A. My name is Susan F. Coakley. My address is 3 Ellen Dana Court, Lexington, Massachusetts, 02173. I am the Technical Director of the Boston Edison DSM Settlement Board and serve as a consultant and technical advisor to energy efficiency and consumer advocates.

Q. Please state the purpose of your testimony in this proceeding.

A. I have been asked by the Massachusetts Division of Energy Resources and the Massachusetts Attorney General to address the Massachusetts Electric Company "Electric Utility Industry Restructuring Offer of Settlement" ("the Settlement"). Specifically, I have been asked to testify regarding the long term benefits to ratepayers of the Settlement's provision that would fund demand side management ("DSM") programs from 1998-2001. The Settlement would provide an average of about \$55 million per year for funding of Mass. Electric's DSM programs during those four years.

Q. What experience have you had with utility DSM programs in Massachusetts?

A. I was a staff economist for the Department of Public Utilities ("Department") from 1985-1989, serving as the Department's policy director for conservation and load management. I participated in various regulatory proceedings that established the Department's framework for reviewing and approving DSM programs. Since 1989, I have been an independent consultant, specializing in utility energy conservation and resource planning. I have worked on DSM planning objectives, cost-effectiveness analysis, cost recovery, program design and evaluation and structure of DSM collaboratives. Since 1993, I have also served as the Technical Director of the Boston Edison DSM Settlement Board. In this role I have coordinated many research projects relating to DSM in Massachusetts.

Q. Do you believe that the funding for DSM programs from 1998-2001 provided for in the Settlement would be in the long term interest of Massachusetts Electric Company ratepayers?

A. Yes, assuming effective program design continues. I believe that the Settlement's funding of DSM during those years would be very much in the long term interest of ratepayers. The extensive experience in Massachusetts with electric company DSM programs over the last six or seven years shows that DSM can be implemented here with substantial long terms savings for ratepayers. The Department has reviewed and accepted many monitoring and evaluation ("M & E") analyses of installed measures. Such analyses have shown that, over the lifetime of already-installed utility DSM measures, the average benefit-cost ratio will be approximately 1.7 : 1.

In other words, on average, the rate savings will be almost twice the ratepayers' costs for the installed DSM. This analysis of rate benefits does not include any environmental benefits of utility DSM, consistent with the fact that the Department's primary jurisdiction is as a rate setting agency.

Q. Would a restructured electric generation market eliminate the need for and/or the benefits of utility DSM programs?

A. While there would certainly be changes for utility DSM in a restructured market, those changes would not eliminate the opportunities for cost-effective utility DSM programs. The market barriers that have made utility programs necessary will not disappear anytime soon. When customer choice is made available (in 1998 or whenever), many electricity consumers, especially small commercial and residential customers, will still not have complete information, will still face financing hurdles, will still have split incentives and will still face other barriers regarding energy efficiency. I believe that there will still be many opportunities for cost-effective utility DSM programs after restructuring, especially during years of transition such as 1998-2001.

Q. How might energy efficiency programs look different in the future?

A. There are new strategies to achieve energy efficiency at lower cost, building on our DSM experience over the last six or seven years. New efforts have been initiated to increase energy efficiency on a regional basis through market transformation strategies.

Q. Are there other likely ratepayer benefits to future utility DSM programs?

A. Yes there are. DSM programs also can provide fuel diversity benefits that reduce ratepayers' risks of future energy price increases. That is, by reducing overall energy consumption, DSM can reduce our dependence on any one fuel type and help to mitigate price shocks which can result from over-reliance on any one fuel.

Q. What is your recommendation to the Department in this case?

A. I urge the Department to find in its order in this case that the DSM portion of the Settlement: 1) is likely to yield rate benefits to ratepayers in the long term; and 2) is therefore in the interests of ratepayers and should be approved.

Q. Does this conclude your prefiled testimony?

A. Yes it does.